

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

OMAX CORPORATION, a Washington
corporation,

Plaintiff,

v.

FLOW INTERNATIONAL
CORPORATION, a Washington corporation,

Defendant.

FLOW INTERNATIONAL
CORPORATION, a Washington corporation,

Counterclaimant,

v.

OMAX CORPORATION, a Washington
corporation,

Counterclaim Defendant.

Case No. C04-2334L

ORDER ON MOTIONS FOR
UNENFORCEABILITY BASED ON
NON-DISCLOSURE AND
MISREPRESENTATIONS

I. Introduction

This matter comes before the Court on “Omax’s Motion and Memorandum for Partial Summary Judgment of Unenforceability of Flow’s ‘452 Patent Due to Flow’s Failure to Disclose

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this Litigation to the United States Patent and Trademark Office” (Dkt. # 93) and “Omax’s Motion and Memorandum for Partial Summary Judgment of Unenforceability of Flow’s ‘452 Patent Due to Flow’s Misrepresentations Under 37 C.F.R. § 1.97” (Dkt. # 96). In the first motion, Omax argues that U.S. Patent No. 6,996,452 (“the ‘452 patent”) is invalid because Flow failed to disclose the instant litigation to the United States Patent and Trademark Office (“USPTO”). In the second motion, Omax argues that the ‘452 patent is invalid because Flow submitted a supplemental Information Disclosure Statement (“IDS”) with a false statement. Flow argues that neither motion meets the inequitable conduct standard for invalidity.¹

II. Background

Omax filed this patent infringement action in November, 2004, claiming infringement by Flow of two Omax patents, U.S. Patent No. 5,508,596 (“the ‘596 patent”) and its continuation patent, U.S. Patent No. 5,892,345 (“the ‘345 patent”). Omax also sought a declaratory judgment of non-infringement of Flow’s one patent at that time, U.S. Patent No. 6,766,216 (“the ‘216 patent”). On March 1, 2005, the Clerk of Court of the Western District of Washington informed the USPTO of this litigation, in compliance with his statutory obligation. 35 U.S.C. § 290; see also Report on the Filing or Determination of an Action Regarding a Patent or Trademark (Dkt. # 15). This report referenced these three patents.

Flow began applying for the continuation patent for the ‘216 patent (what would become the ‘452 patent) in March, 2004. In the meantime, Omax had filed the instant suit, arguing, among other things, that the ‘216 patent is invalid because it is anticipated or rendered obvious by the Henning publication. At one point during the prosecution of the ‘452 patent, Flow’s patent attorney, Ellen Bierman, submitted a supplemental IDS to the USPTO. This statement

¹ This matter can be decided on the memoranda, declarations, and exhibits submitted by the parties. Plaintiff’s request for oral argument is therefore DENIED.

1 included references to two applications that constitute “prior art,” of which Bierman had become
2 aware through another action. It also updated the USPTO on a number of other documents and
3 patents that did not constitute prior art, as they were filed contemporaneously with or after the
4 parent patent of the ‘452 patent. The ‘452 patent issued on February 7, 2006 and Flow filed a
5 supplemental complaint with a counterclaim alleging infringement of this patent on February 14,
6 2006.

7 **III. Discussion**

8 **A. Summary Judgment Standard**

9 Summary judgment is appropriate “if the pleadings, depositions, answers to
10 interrogatories, and admissions on file, together with the affidavits, if any, show that there is no
11 genuine issue as to any material fact and that the moving party is entitled to a judgment as a
12 matter of law.” Fed. R. Civ. P. 56(c). An issue is “genuine” if “a reasonable jury could return a
13 verdict for the nonmoving party” and a fact is material if it “might affect the outcome of the suit
14 under the governing law.” Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). The
15 evidence is viewed in the light most favorable to the non-moving party. Id.

16 **B. Non-Disclosure of Litigation**

17 Federal regulations impose on all patent applicants a duty of candor, good faith and
18 honesty. 37 C.F.R. § 1.56. The Manual of Patent Examining and Procedures (“MPEP”) has
19 interpreted this requirement to include all litigation: “Where the subject matter for which a
20 patent is being sought is or has been involved in litigation, the existence of such litigation and
21 any other material information arising therefrom must be brought to the attention of the U.S.
22 Patent and Trademark Office.” MPEP § 2001.06(c). Omax argues that Flow was obligated to
23 inform the USPTO of litigation involving the ‘216 patent when seeking a continuation patent
24 thereof.

Inequitable conduct requires the invalidation of a patent. This Court may find inequitable conduct where there is a “failure to disclose material information . . . coupled with an intent to deceive.” Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178 (Fed. Cir. 1995). Both elements, materiality and intent, must be shown by clear and convincing evidence. Hoffmann-La Roche, Inc. v. Promega Corp., 323 F.3d 1354, 1359 (Fed. Cir. 2003). Thus, Omax must show by “clear and convincing evidence” that Flow’s patent attorney, Ellen Bierman, failed to disclose the existence of this litigation during the examination of the ‘452 patent because she sought to deceive the USPTO as to the validity of the ‘216 patent.

Although Omax is correct that it is rare for a court to find a “smoking gun” to show an intent to deceive, it is also very unusual for a court to invade the province of the jury by addressing factual disputes related to an attorney’s intent to deceive. Resolving all legitimate factual disputes in favor of Flow, the Court finds it highly plausible that Bierman concluded that the Clerk of Court’s notification to the USPTO about the ‘216 patent was sufficient to make the patent examiner aware of patent disputes regarding the subject matter of the ‘452 patent and that she was unaware of her independent duty under MPEP § 2001.06(c). Summary judgment is therefore inappropriate.²

C. Misrepresentations

Bierman avers that she submitted the supplemental IDS for the purpose of informing the USPTO about two items of prior art that had come to her attention through another action. Declaration of Ellen Bierman at ¶ 20 (“Bierman Decl.”) (Dkt. #136). These items are referenced in the form as AA and AD. She had been previously unaware of these references, despite her reasonable efforts to become aware of relevant prior art. The form includes a statement pursuant

² Omax should be mindful that not every argument that can be asserted must be asserted at trial, especially where counsel are accusing members of the bar of intentionally deceiving a government agency.

1 to a federal regulation which allows the patent attorney to submit the supplemental IDS without
2 the accompanying fee when:

3 no item of information contained in the information disclosure statement was cited
4 in a communication from a foreign patent office in a counterpart foreign
5 application, and, to the knowledge of the person signing the certification after
6 making reasonable inquiry, no item of information contained in the information
7 disclosure statement was known to any individual designated in § 1.56(c) more
8 than three months prior to the filing of the information disclosure statement.

9 37 C.F.R. § 1.97(e)(2). Bierman made this certification, which was undisputedly true as to two
10 of the items included.

11 Bierman explains that she also included other facts on the same IDS for the purpose of
12 convenience. This was done in order “to make sure that the USPTO file history for the ‘452
13 application was up to date on publication numbers and issued patent numbers for applications
14 that had been referred to in the specification (and later-filed related applications).” Bierman
15 Decl. ¶ 21. This information included one patent application that is referenced in the ‘452
16 patent, application number 09/940,689 (item AB in the IDS). Also included in the IDS was its
17 continuation application, number 10/114,920, and the divisional application of that patent,
18 number 10/717/744 (items AC and AE in the IDS). Finally, Bierman also included the number
19 for the parent patent of the ‘452 patent itself, the ‘216 patent (item AF in the IDS). Bierman
20 concedes that this final inclusion was neither necessary nor helpful, but maintains that providing
21 the remaining three numbers assisted the administrative process of the patent application by
22 providing the examiner with the updated identifying numbers for several of the references.

23 Omax now seeks to invalidate the ‘452 patent because the 37 C.F.R. § 1.97(e)(2) phrase,
24 quoted above, does not apply to items AB, AC, AE and AF of the supplemental IDS. These
25 references were, in fact, known to Bierman prior to three months before the filing of the IDS.
26 Indeed, they were referenced in the ‘452 patent specification itself. Moreover, the practice of
27 using this subsection to avoid a fee is explicitly forbidden by the MPEP where, as here, the
28

1 “inventor of the U.S. application is also a named inventor of one of the items of information
2 contained in the IDS.” MPEP § 609.04(b). Nonetheless, the statement incorrectly asserted that
3 even though it was more than three months after the filing date, the fee required by 37 C.F.R. §
4 1.97(c)(2) and 37 C.F.R. § 1.17(P) (\$180) was unnecessary pursuant to 37 C.F.R. § 1.97(c)(1)
5 and (e)(2). However, the statement also authorized the examiner to withdraw money if he
6 independently determined that a fee was required. He did not. Upon learning of this motion,
7 Flow sent the fee, just to be sure.

8 A patent may be found invalid if a patentee perpetrates “an affirmative misrepresentation
9 of a material fact . . . coupled with an intent to deceive.” Molins, 48 F.3d at 1178. Omax’s
10 current motion for invalidity argues that any false statement is material if it induces favorable
11 treatment by the USPTO. See Gen. Electro Music Corp. v. Samick Music Corp., 19 F.3d 1405,
12 1411 (Fed. Cir. 1994) (“We conclude as a matter of law that a false statement in a petition to
13 make special is material if, as in the case here, it succeeds in prompting expedited consideration
14 of the application.”). Thus, Omax’s argument is that because Flow induced the USPTO to
15 waive the \$180 fee, it intentionally made a false, material statement.

16 Flow argues that it received no benefit from this false statement other than initially
17 avoiding the \$180 fee, which it later paid. Omax does not dispute this. In fact, Omax suggests
18 that Flow could have avoided the fee for all of the information submitted in the supplemental
19 IDS *and* avoided Omax’s instant motion for invalidity by simply re-wording its (e)(2)
20 declaration. See Reply at 4–5. Nonetheless, Omax argues that there cannot be a *de minimis*
21 exception to the rules of patent examination. Notwithstanding the fact that Flow’s statement is
22 better understood as simply an “irregular” use of a USPTO form, rather than a situation where a
23 misrepresentation is conveyed purposefully, Omax argues that the Court must invalidate the
24 patent.

1 Patent invalidation is an extreme measure, the use of which is committed to the
2 discretion of this Court. Halliburton Co. v. Schlumberger Tech. Corp., 925 F.2d 1435, 1439–40
3 (Fed. Cir. 1991). At this stage in the proceedings, Omax must show that there is no genuine
4 issue of material fact that Flow intentionally misrepresented material facts to the USPTO, and
5 that this act rises to the level of inequitable conduct, rendering the patent unenforceable. The
6 Court concludes that it need not decide whether Omax could show materiality and intent,
7 because even if it could, no reasonable factfinder could conclude that “the applicant’s conduct is
8 so culpable that the patent should not be enforced.” Molins, 48 F.3d at 1178. This threshold
9 has been described as “whether there is a substantial likelihood that a reasonable examiner
10 would have considered the omitted reference or false information important in deciding whether
11 to allow the application to issue as a patent.” J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc., 747
12 F.2d 1553, 1559 (Fed. Cir. 1984). Although the patent process benefits from its participants’
13 strict adherence to the rules, invalidation is far too severe a penalty for the trifling oversight
14 committed in the supplemental IDS. Thus, Omax’s summary judgment motion for invalidity
15 based on misrepresentations to the patent office must be denied.

16 Where the facts merit, this Court may grant summary judgment to a non-moving party.
17 Cool Fuel, Inc. v. Connett, 685 F.2d 309, 311 (9th Cir. 1982). Because it is clear that the un-
18 contested facts, even viewed in a light most favorable to Omax, could not show inequitable
19 conduct by Flow, this Court will grant summary judgment in favor of Flow on this matter. On
20 the question of misrepresentations in the supplemental IDS, Omax is precluded from further
21 arguing for invalidation of the ‘452 patent.

IV. Conclusion

For all of the foregoing reasons, Omax's motions for invalidation (Dkt. ## 93 & 96) are
DENIED.

DATED this 7th day of November, 2006.

A handwritten signature in black ink, appearing to read "R S Lasnik", written over a horizontal line.

Robert S. Lasnik
United States District Judge